

Gladbrook-Reinbeck Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2006

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Gladbrook-Reinbeck Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2005 Election)

Sherri Denbow	President	2005
Theodore Hamer	Vice President	2005
Kelly Dinsdale	Board Member	2006
Douglas Rowe	Board Member	2006
Rick Lockhart	Board Member	2005
Beth Miller	Board Member	2007
Michael Bearden	Board Member	2007

(After September 2005 Election)

Theodore Hamer	President	2008
Beth Miller	Vice President	2007
Kelly Dinsdale	Board Member	2006
Douglas Rowe	Board Member	2006
Michael Bearden	Board Member	2007
Darin King	Board Member	2008
Rick Lockhart	Board Member	2008

School Officials

Dennis Modlin	Superintendent	2006
Debra Oleson	District Secretary/Treasurer	2006

Independent Auditor's Report

To the Board of Education of
Gladbrook-Reinbeck Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gladbrook-Reinbeck Community School District, Reinbeck, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

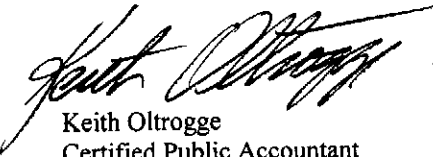
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gladbrook-Reinbeck Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated September 5, 2006 on my consideration of Gladbrook-Reinbeck Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gladbrook-Reinbeck Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 CPA PC
Keith Oltrogge
Certified Public Accountant

September 5, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gladbrook-Reinbeck Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,933,861 in fiscal 2005 to \$6,033,650 in fiscal 2006, while General Fund expenditures decreased from \$6,139,666 in fiscal 2005 to \$5,983,419 in fiscal 2006. The District's General Fund balance increased from -\$48,440 in fiscal year 2005 to -\$43,205 in fiscal year 2006, a 10.8% increase.
- The increase in General Fund revenues was attributable to a small increase in all categories of revenue in fiscal year 2006. The decrease in expenditures was due to an overall small decrease in almost all categories of expenditures.
- The District's solvency ratio decreasing from .8% in 2005 to .7% in fiscal 2006. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Gladbrook-Reinbeck Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Gladbrook-Reinbeck Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Gladbrook-Reinbeck Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Gladbrook-Reinbeck Community School District Annual Financial Report

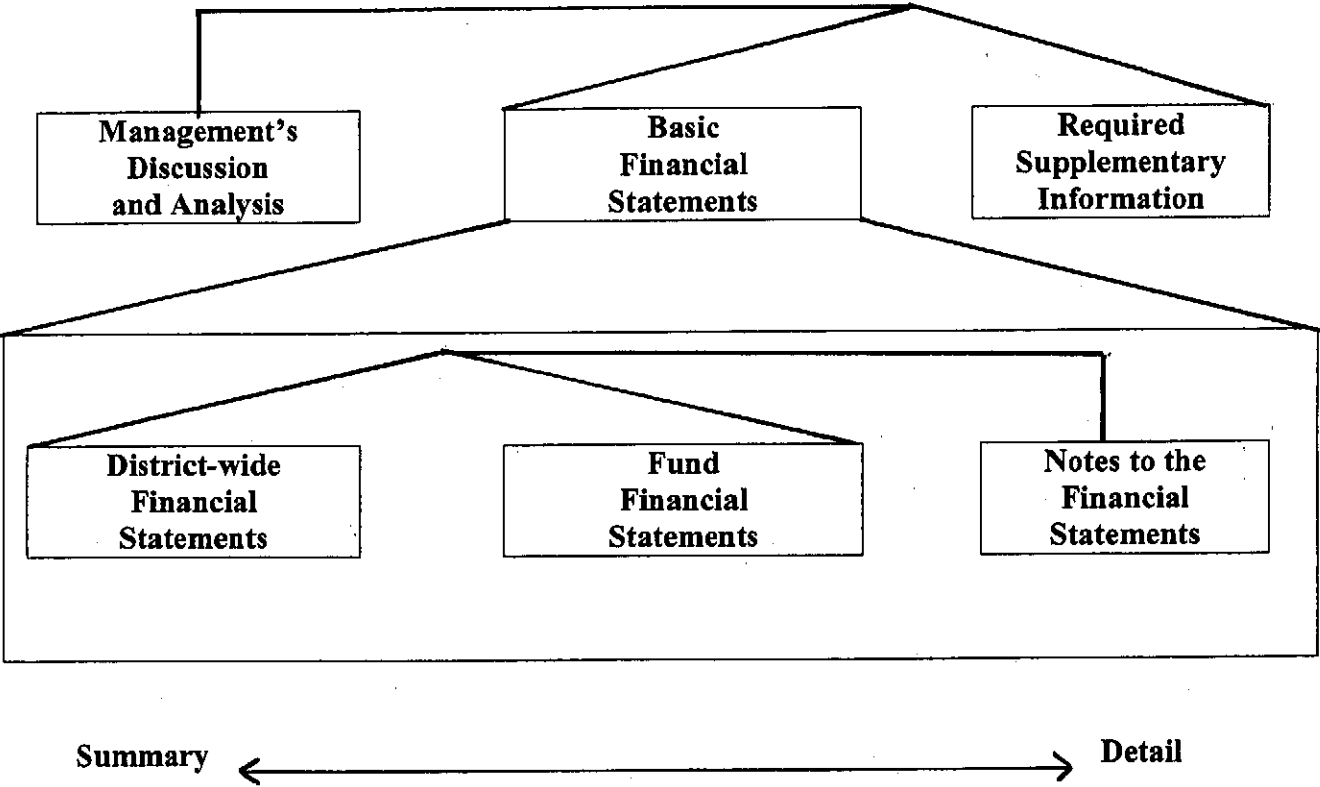


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Swimming Pool Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds Agency Funds.

- **Agency Funds** – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of the District.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purpose and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3							
Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	\$5,017,457	\$3,595,304	\$41,930	\$35,368	\$5,059,387	\$3,630,672	\$1,428,715
Capital assets	1,880,063	1,685,258	55,420	7,896	1,935,483	1,693,154	242,329
Total assets	\$6,897,520	\$5,280,562	\$97,350	\$43,264	\$6,994,870	\$5,323,826	\$1,671,044
Long-term liabilities	\$866,490	\$893,523	\$-	\$-	\$866,490	\$893,523	-\$27,033
Other liabilities	4,271,444	2,926,104	9,208	11,026	4,280,652	2,937,130	1,343,522
Total liabilities	\$5,137,934	\$3,819,627	\$9,208	\$11,026	\$5,147,142	\$3,830,653	\$1,316,489
Net assets:							
Invested in capital assets, net of related debt	\$1,115,063	\$835,258	\$55,420	\$7,896	\$1,170,483	\$843,154	\$327,329
Unrestricted	644,523	625,677	32,722	24,342	677,245	650,019	27,226
Total net assets	\$1,759,586	\$1,460,935	\$88,142	\$32,238	\$1,847,728	\$1,493,173	\$354,555

The District's combined total net assets increased by nearly 19.2%, or \$354,555, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$27,226 or 4%.

Figure A-4 shows the change in net assets for the year ended June 30, 2006.

Figure A-4
Changes in Net Assets

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$416,345	\$181,925	\$598,270
Operating grants, contributions and restricted interest	638,160	98,609	736,769
Capital grants, contributions and restricted interest	23,967	-	23,967
General revenues:			
Property tax	2,544,087	-	2,544,087
Local option sales & service tax	396,673	-	396,673
Unrestricted state grants	2,901,583	-	2,901,583
Unrestricted investment earnings	33,643	206	33,849
Other	38,617	54,318	92,935
Total revenues	\$6,993,075	\$335,058	\$7,328,133
Program expenses:			
Governmental activities:			
Instruction	\$4,191,917	\$-	\$4,191,917
Support services	2,177,121	12,726	2,189,847
Non-instructional programs	1,705	305,928	307,633
Other expenses	290,662	-	290,662
Total expenses	\$6,661,405	\$318,654	\$6,980,059
Change in net assets	\$331,670	\$16,404	\$348,074

Property tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,993,075 and expenses were \$6,661,405. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
**Total and Net Cost of
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$4,191,917	\$3,249,913
Support services	2,177,121	2,064,620
Non-instructional programs	1,705	1,705
Other expenses	290,662	266,695
Totals	\$6,661,405	\$5,582,933

- The cost financed by users of the District's programs was \$598,270.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$736,769.
- The net cost of governmental activities was financed with \$2,940,760 in property and other taxes and \$2,901,583 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$335,058, and expenses were \$318,654. The District's business type activities include the School Nutrition Fund and Swimming Pool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Gladbrook-Reinbeck Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,759,586, more than last year's ending fund balances of \$1,460,935.

Governmental Fund Highlights

- The General Fund balance increased from -\$48,440 to -\$43,205.

BUDGETARY HIGHLIGHTS

Over the course of the year, Gladbrook-Reinbeck Community School District amended its annual budget one time.

The District's receipts were \$92,771 more than budgeted receipts, a variance of 1.3%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at an amount less than the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$1,935,483, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 12.5% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$193,110.

The original cost of the District's capital assets was \$7,143,541. Governmental funds account for \$7,031,838, with the remainder of \$111,703 accounted for in the Proprietary, School Nutrition Fund and Swimming Pool Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Land	\$37,965	\$37,965	\$-	\$-	\$37,965	\$37,965	\$-
Construction in process	-	782,571	-	-	-	782,571	-782,571
Buildings	1,398,995	602,953	-	-	1,398,995	602,953	796,042
Improvements other than buildings	97,427	42,616	-	-	97,427	42,616	54,811
Furniture and equipment	345,676	219,153	55,420	7,896	401,096	227,049	174,047
Totals	\$1,880,063	\$1,685,258	\$55,420	\$7,896	\$1,935,483	\$1,693,154	\$242,329

Long-Term Debt

At June 30, 2006, the District had \$866,490 in other long-term debt outstanding. This represents a decrease of 3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2006	2005	2005-2006
Capital note	\$765,000	\$850,000	-\$85,000
Early retirement	66,641	7,572	59,069
Compensated absences	34,849	35,693	-844
Totals	\$866,490	\$893,265	-\$26,775

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debra Oleson, District Secretary/Treasurer, Gladbrook-Reinbeck Community School District, 300 Cedar Street, Reinbeck IA 50669.

Basic Financial Statements

Gladbrook-Reinbeck Community School District

Statement of Net Assets

June 30, 2006

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
ISCAP	\$ 1,288,342	\$ -	\$ 1,288,342
Other	1,013,043	37,967	1,051,010
Receivables:			
Property tax:			
Delinquent	39,410	-	39,410
Succeeding year	2,429,754	-	2,429,754
Accounts	11,423	105	11,528
Accrued interest:			
ISCAP	8,558	-	8,558
Other	609	-	609
Due from other governments	225,502	-	225,502
Prepaid expense	816	-	816
Inventories	-	3,858	3,858
Capital assets, net of accumulated depreciation	1,880,063	55,420	1,935,483
Total Assets	\$ 6,897,520	\$ 97,350	\$ 6,994,870
Liabilities			
Accounts payable	\$ 77,033	\$ 239	\$ 77,272
Salaries and benefits payable	456,683	5,143	461,826
ISCAP warrants payable	1,288,000	-	1,288,000
ISCAP accrued interest payable	7,920	-	7,920
Other current liabilities	9,205	-	9,205
Accrued interest payable	1,849	-	1,849
Deferred revenue-succeeding year property tax	2,429,754	-	2,429,754
Other	1,000	3,826	4,826
Long-term liabilities:			
Portion due within one year:			
Capital note	85,000	-	85,000
Early retirement	61,000	-	61,000
Compensated absences	34,849	-	34,849
Portion due after one year:			
Capital note	680,000	-	680,000
Early retirement	5,641	-	5,641
Total Liabilities	\$ 5,137,934	\$ 9,208	\$ 5,147,142
Net Assets			
Invested in capital assets, net of related debt	\$ 1,115,063	\$ 55,420	\$ 1,170,483
Unrestricted	644,523	32,722	677,245
Total Net Assets	\$ 1,759,586	\$ 88,142	\$ 1,847,728

Gladbrook-Reinbeck Community School District

Statement of Activities

Year Ended June 30, 2006

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,880,486	\$ 114,751	\$ 543,225	\$ -
Special instruction	703,377	26,853	76,480	-
Other instruction	608,054	166,710	13,985	-
	<u>\$ 4,191,917</u>	<u>\$ 308,314</u>	<u>\$ 633,690</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 130,029	\$ -	\$ 4,470	\$ -
Instructional staff services	266,106	-	-	-
Administration services	664,486	-	-	-
Operation and maintenance of plant services	583,815	345	-	-
Transportation services	531,835	107,686	-	-
Community services	850	-	-	-
	<u>\$ 2,177,121</u>	<u>\$ 108,031</u>	<u>\$ 4,470</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ 1,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 23,967	\$ -	\$ -	\$ 23,967
Interest	31,294	-	-	-
AEA flow-through	235,401	-	-	-
	<u>\$ 290,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,967</u>
Total Governmental Activities	<u>\$ 6,661,405</u>	<u>\$ 416,345</u>	<u>\$ 638,160</u>	<u>\$ 23,967</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 305,928	\$ 176,370	\$ 98,609	\$ -
Support Services:				
Community Services:				
Swimming pool	12,726	5,555	-	-
Total Business Type Activities	<u>\$ 318,654</u>	<u>\$ 181,925</u>	<u>\$ 98,609</u>	<u>\$ -</u>
Total	<u><u>\$ 6,980,059</u></u>	<u><u>\$ 598,270</u></u>	<u><u>\$ 736,769</u></u>	<u><u>\$ 23,967</u></u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities	Total
\$	-2,222,510	\$ -	\$ -2,222,510
	-600,044	-	-600,044
	-427,359	-	-427,359
\$	-3,249,913	\$ -	\$ -3,249,913
\$	-125,559	\$ -	\$ -125,559
	-266,106	-	-266,106
	-664,486	-	-664,486
	-583,470	-	-583,470
	-424,149	-	-424,149
	-850	-	-850
\$	-2,064,620	\$ -	\$ -2,064,620
\$	-1,705	\$ -	\$ -1,705
\$	-	\$ -	\$ -
	-31,294	-	-31,294
	-235,401	-	-235,401
\$	-266,695	\$ -	\$ -266,695
\$	-5,582,933	\$ -	\$ -5,582,933
\$	-	\$ -30,949	\$ -30,949
	-	-7,171	-7,171
\$	-	\$ -38,120	\$ -38,120
\$	-5,582,933	\$ -38,120	\$ -5,621,053

Gladbrook-Reinbeck Community School District

Statement of Activities

Year Ended June 30, 2006

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			

General Revenues:

Property Tax Levied For:
 General purposes
 Capital outlay
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total General Revenues

Change in net assets
Net adjustments
Operating transfer
Change in net assets after adjustments and transfers
Net assets beginning of year

Net Assets End of Year

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 2,355,578	\$ -	\$ 2,355,578
188,509	-	188,509
396,673	-	396,673
2,901,583	-	2,901,583
33,643	206	33,849
38,617	54,318	92,935
\$ 5,914,603	\$ 54,524	\$ 5,969,127
\$ 331,670	\$ 16,404	\$ 348,074
6,481	-	6,481
-39,500	39,500	-
\$ 298,651	\$ 55,904	\$ 354,555
1,460,935	32,238	1,493,173
\$ 1,759,586	\$ 88,142	\$ 1,847,728

Gladbrook-Reinbeck Community School District

Balance Sheet
Governmental Funds

June 30, 2006

	General	Management	Non-major Special Revenue	Total
Assets				
Cash and Pooled Investments:				
ISCAP	\$ 1,288,342	\$ -	\$ -	\$ 1,288,342
Other	335,106	296,431	381,506	1,013,043
Receivables:				
Property Tax:				
Delinquent	34,269	2,610	2,531	39,410
Succeeding year	2,091,456	150,000	188,298	2,429,754
Accounts	11,423	-	-	11,423
Accrued interest:				
ISCAP	8,558	-	-	8,558
Other	-	-	609	609
Due from other governments	95,037	-	130,465	225,502
Prepaid expenses	816	-	-	816
Total Assets	\$ 3,865,007	\$ 449,041	\$ 703,409	\$ 5,017,457
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 54,255	\$ -	\$ 22,778	\$ 77,033
Salaries and benefits payable	456,376	-	307	456,683
ISCAP warrants payable	1,288,000	-	-	1,288,000
ISCAP accrued interest payable	7,920	-	-	7,920
Other current liabilities	9,205	-	-	9,205
Deferred Revenue:				
Succeeding year property tax	2,091,456	150,000	188,298	2,429,754
Other	1,000	-	-	1,000
Total Liabilities	\$ 3,908,212	\$ 150,000	\$ 211,383	\$ 4,269,595
Fund Balances:				
Unreserved	\$ -43,205	\$ 299,041	\$ 492,026	\$ 747,862
Total Liabilities and Fund Balances	\$ 3,865,007	\$ 449,041	\$ 703,409	\$ 5,017,457

Gladbrook-Reinbeck Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2006

Total fund balances of governmental funds (page 15)	\$ 747,862
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	1,880,063
Long-term liabilities, including early retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	-101,490
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-1,849
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-765,000</u>
Net assets of governmental activities (page 12)	<u>\$ 1,759,586</u>

Gladbrook-Reinbeck Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2006

	General	Management	Non-major Special Revenue	Total
Revenues:				
Local Sources:				
Local tax	\$ 2,205,406	\$ 150,172	\$ 188,509	\$ 2,544,087
Tuition	75,557	-	-	75,557
Other	215,288	7,671	588,862	811,821
Intermediate sources	-	-	-	-
State sources	3,365,252	125	119	3,365,496
Federal sources	172,147	-	23,967	196,114
Total Revenues	\$ 6,033,650	\$ 157,968	\$ 801,457	\$ 6,993,075
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,697,637	\$ 41,611	\$ 13,505	\$ 2,752,753
Special instruction	703,377	-	-	703,377
Other instruction	442,218	-	164,048	606,266
	\$ 3,843,232	\$ 41,611	\$ 177,553	\$ 4,062,396
Support Services:				
Student services	\$ 129,810	\$ -	\$ -	\$ 129,810
Instructional staff services	226,081	-	40,009	266,090
Administration services	646,084	15,577	-	661,661
Operation and maintenance of plant services	567,598	7,780	26,800	602,178
Transportation services	335,213	22,769	165,917	523,899
Community services	-	850	-	850
	\$ 1,904,786	\$ 46,976	\$ 232,726	\$ 2,184,488
Non-instructional programs	\$ -	\$ 1,705	\$ -	\$ 1,705
Other Expenditures:				
Facilities acquisition	\$ -	\$ -	\$ 293,935	\$ 293,935
Long-term debt:				
Principal	-	-	85,000	85,000
Interest and fiscal charges	-	-	31,145	31,145
AEA flow-through	235,401	-	-	235,401
	\$ 235,401	\$ -	\$ 410,080	\$ 645,481
Total Expenditures	\$ 5,983,419	\$ 90,292	\$ 820,359	\$ 6,894,070
Excess (deficiency) of revenues over (under) expenditures	\$ 50,231	\$ 67,676	\$ -18,902	\$ 99,005
Other Financing Sources (Uses):				
Beginning balance adjustments-decrease	\$ -5,496	\$ -	\$ -8,997	\$ -14,493
Beginning balance adjustments-increase	-	-	20,974	20,974
Operating transfers in	-	-	541,145	541,145
Operating transfers out	-39,500	-	-541,145	-580,645
Total Other Financing Sources (Uses)	\$ -44,996	\$ -	\$ 11,977	\$ -33,019
Net change in fund balances	\$ 5,235	\$ 67,676	\$ -6,925	\$ 65,986
Fund balances beginning of year	-48,440	231,365	498,951	681,876
Fund Balances End of Year	\$ -43,205	\$ 299,041	\$ 492,026	\$ 747,862

See notes to financial statements.

Gladbrook-Reinbeck Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2006

Net change in fund balances – total governmental funds (page 17) \$ 65,986

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 381,499	
Depreciation expense	<u>-186,694</u>	194,805

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

ISEBA payable	\$ 10,976	
Early retirement	-59,069	
Compensated absences	<u>1,102</u>	-46,991

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments, as follows:

Repaid	85,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Change in Net Assets of Governmental Activities (page 14)

\$ 298,651

Gladbrook-Reinbeck Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2006

	Swimming Pool	School Nutrition	Total
Assets			
Cash and cash equivalents	\$ 122	\$ 37,845	\$ 37,967
Accounts receivable	105	-	105
Inventories	-	3,858	3,858
Capital assets, net of accumulated depreciation	1,469	53,951	55,420
Total Assets	\$ 1,696	\$ 95,654	\$ 97,350
Liabilities			
Accounts payable	\$ 177	\$ 62	\$ 239
Salaries and benefits payable	4,828	315	5,143
Deferred revenue	-	3,826	3,826
Total Liabilities	\$ 5,005	\$ 4,203	\$ 9,208
Net Assets			
Invested in capital assets, net of related debt	\$ 1,469	\$ 53,951	\$ 55,420
Unrestricted	-4,778	37,500	32,722
Total Net Assets	\$ -3,309	\$ 91,451	\$ 88,142

Gladbrook-Reinbeck Community School District

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

June 30, 2006

	Swimming Pool	School Nutrition	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 5,555	\$ 176,370	\$ 181,925
Contributions	2,600	-	2,600
Total operating revenues	\$ 8,155	\$ 176,370	\$ 184,525
Operating expenses:			
Support services:			
Community services:			
Pool operations:			
Salaries	\$ 11,311	\$ -	\$ 11,311
Benefits	563	-	563
Purchased services	705	-	705
Depreciation	147	-	147
Total support services	\$ 12,726	\$ -	\$ 12,726
Non-instructional programs:			
Food service operations:			
Salaries	\$ -	\$ 91,974	\$ 91,974
Benefits	-	39,748	39,748
Purchased services	-	613	613
Supplies	-	167,324	167,324
Depreciation	-	6,269	6,269
Total non-instructional programs	\$ -	\$ 305,928	\$ 305,928
Total operating expenses	\$ 12,726	\$ 305,928	\$ 318,654
Operating loss	\$ -4,571	\$ -129,558	\$ -134,129
Non-operating revenues:			
State sources	\$ -	\$ 4,342	\$ 4,342
Federal sources	-	94,267	94,267
Interest income	-	206	206
Total non-operating revenues	\$ -	\$ 98,815	\$ 98,815
Net income (loss)	\$ -4,571	\$ -30,743	\$ -35,314
Other financing sources:			
Operating transfer in	\$ 4,500	\$ 35,000	\$ 39,500
Capital contribution	-	51,718	51,718
Total other financing sources	\$ 4,500	\$ 86,718	\$ 91,218
Change in net assets	\$ -71	\$ 55,975	\$ 55,904
Net assets beginning of year	-3,238	35,476	32,238
Net Assets End of Year	\$ -3,309	\$ 91,451	\$ 88,142

See notes to financial statements.

Gladbrook-Reinbeck Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2006

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 176,410
Cash paid to employees for services	-131,407
Cash paid to suppliers for goods or services	-154,856
Net cash used by operating activities	<u>\$ -109,853</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 4,342
Federal grants received	79,662
Net cash provided by non-capital financing activities	<u>\$ 84,004</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 206</u>
Cash flows from capital and related financing activities:	
Transfer from General Fund	\$ 35,000
Acquisition of capital assets	-2,222
Net cash provided by capital and related financing activities	<u>\$ 32,778</u>
Net increase in cash and cash equivalents	\$ 7,135
Cash and cash equivalents beginning of year	<u>30,710</u>
Cash and Cash Equivalents End of Year	<u>\$ 37,845</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -129,558
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	15,094
Depreciation	6,269
Decrease in inventories	311
Increase in accrued salaries and benefits	315
(Decrease) in accounts payable	-2,324
Increase in deferred revenue	40
Net Cash Used by Operating Activities	<u>\$ -109,853</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$14,605 of federal commodities.

Gladbrook-Reinbeck Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2006

	Swimming Pool
Cash flows from operating activities:	
Cash received from services and contributions	\$ 8,050
Cash paid to employees for services	-11,727
Cash paid to suppliers for goods or services	-529
Net cash used by operating activities	<u>\$ -4,206</u>
Cash flows from capital and related financing activities:	
Transfer from General Fund	\$ 4,500
Net increase in cash and cash equivalents	\$ 294
Cash and cash equivalents beginning of year	<u>-172</u>
Cash and Cash Equivalents End of Year	<u>\$ 122</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -4,571
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	147
(Increase) in accounts receivable	-105
Increase in salaries and benefits payable	146
Increase in accounts payable	<u>177</u>
Net Cash Used by Operating Activities	<u>\$ -4,206</u>

Gladbrook-Reinbeck Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 133
Total Assets	<u>\$ 133</u>
Liabilities	
Accounts payable	\$ 133
Total Liabilities	<u>\$ 133</u>
Net assets	<u>\$ -</u>
Reserved	<u>\$ -</u>

Gladbrook-Reinbeck Community School District

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Gladbrook-Reinbeck Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Gladbrook and Reinbeck, Iowa and portions of the predominately agricultural territories in Black Hawk, Marshall, Tama and Grundy Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Gladbrook-Reinbeck Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Gladbrook-Reinbeck Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Fund is used to account for all resources derived from special sources which are required by law or regulation to be accounted for in a separate fund.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Swimming Pool Fund. These funds are used to account for the food service operations of the District and the pool operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Enterprise Fund	General Fund	
Swimming pool		\$ 4,500
Physical Plant and Equipment Levy	Capital Projects	425,000
Debt Service	Physical Plant and Equipment Levy	116,145
Enterprise Fund	General Fund	
School nutrition		35,000
		<u>\$ 580,645</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 37,965	\$ -	\$ -	\$ 37,965
Construction in process	782,571	-	782,571	-
Total capital assets not being depreciated	\$ 820,536	\$ -	\$ 782,571	\$ 37,965
Capital assets being depreciated:				
Buildings	\$ 2,733,989	\$ 870,482	\$ -	\$ 3,604,471
Improvements other than buildings	396,139	57,521	-	453,660
Furniture and equipment	2,810,552	236,067	110,877	2,935,742
Total capital assets being depreciated	\$ 5,940,680	\$ 1,164,070	\$ 110,877	\$ 6,993,873
Less accumulated depreciation for:				
Buildings	\$ 2,131,036	\$ 74,440	\$ -	\$ 2,205,476
Improvements other than buildings	353,523	2,710	-	356,233
Furniture and equipment	2,591,399	109,544	110,877	2,590,066
Total accumulated depreciation	\$ 5,075,958	\$ 186,694	\$ 110,877	\$ 5,151,775
Total capital assets being depreciated, net	\$ 864,722	\$ 977,376	\$ -	\$ 1,842,098
Governmental Activities Capital Assets, Net	\$ 1,685,258	\$ 977,376	\$ 782,571	\$ 1,880,063

	Balance Beginning Of Year	Increases	Decreases	Adjustments	Balance End Of Year
Business type activities:					
Nutrition Fund:					
Furniture and equipment	\$ 23,902	\$ 53,940	\$ -	\$ 32,098	\$ 109,940
Less accumulated depreciation	17,622	6,269	-	32,098	55,989
	\$ 6,280	\$ 47,671	\$ -	\$ -	\$ 53,951
Swimming Pool:					
Furniture and equipment	\$ 1,763	\$ -	\$ -	\$ -	\$ 1,763
Less accumulated depreciation	147	147	-	-	294
	\$ 1,616	\$ -147	\$ -	\$ -	\$ 1,469
Business Type Activities Capital Assets, Net	\$ 7,896	\$ 47,524	\$ -	\$ -	\$ 55,420

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$	81,889
Other		1,788
Support services:		
Administration		1,623
Operation and maintenance of plant		6,501
Transportation		94,893
	\$	186,694

Non-instructional

Total Depreciation Expense – Governmental Activities

\$ 186,694

Business Type Activities:

Food service operations	\$	6,269
Swimming pool operations	\$	147

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Capital note	\$ 850,000	\$ -	\$ 85,000	\$ 765,000	\$ 85,000
Early retirement	7,572	60,000	931	66,641	61,000
Compensated absences	35,693	6,730	7,574	34,849	34,849
Total	\$ 893,265	\$ 66,730	\$ 93,505	\$ 866,490	\$ 180,849

Details of the District's June 30, 2006 capital note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest
2007	2.9%	\$ 85,000	\$ 22,185
2008	3.2%	85,000	21,760
2009	3.4%	90,000	20,230
2010	3.7%	95,000	18,685
2011	3.9%	95,000	15,990
2012	4.1%	100,000	12,915
2013	4.2%	105,000	9,030
2014	4.3%	110,000	4,730
		\$ 765,000	\$ 125,525

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. The eligible employee will receive a cash benefit of \$20,000 in one payment, less applicable payroll deductions on October 2006. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement expenditures for the year ended June 30, 2006 totaled \$931.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$189,296, \$186,019, and \$185,650, respectively, equal to the required contributions for each year.

(7) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$235,401 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Deficit Fund Equity

The Enterprise, Swimming Pool Fund has a deficit unreserved net assets balance of \$3,309 at June 30, 2006.

The General Fund has a deficit unreserved fund balance of \$43,205 at June 30, 2006.

Required Supplementary Information

Gladbrook-Reinbeck Community School District

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year Ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 3,431,465	\$ 184,731
Intermediate sources	-	-
State sources	3,365,496	4,342
Federal sources	196,114	94,267
Total Receipts	<u>\$ 6,993,075</u>	<u>\$ 283,340</u>
Disbursements:		
Instruction	\$ 4,062,396	\$ -
Support services	2,184,488	12,726
Non-instructional programs	1,705	305,928
Other expenditures	645,481	-
Total Disbursements	<u>\$ 6,894,070</u>	<u>\$ 318,654</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 99,005	\$ -35,314
Other financing sources, net	<u>-33,019</u>	<u>91,218</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 65,986	\$ 55,904
Balances beginning of year	<u>681,876</u>	<u>32,238</u>
Balances End of Year	<u>\$ 747,862</u>	<u>\$ 88,142</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 3,616,196	\$ 3,515,644	\$ 3,515,644	\$ 100,552
-	-	-	-
3,369,838	3,448,000	3,448,000	-78,162
290,381	220,000	220,000	70,381
\$ 7,276,415	\$ 7,183,644	\$ 7,183,644	\$ 92,771
<hr/>			
\$ 4,062,396	\$ 4,355,500	\$ 4,220,543	\$ 158,147
2,197,214	2,324,200	2,318,900	121,686
307,633	272,600	345,000	37,367
645,481	748,143	816,000	170,519
\$ 7,212,724	\$ 7,700,443	\$ 7,700,443	\$ 487,719
<hr/>			
\$ 63,691	\$ -516,799	\$ -516,799	\$ 580,490
58,199	-	-	58,199
<hr/>			
\$ 121,890	\$ -516,799	\$ -516,799	\$ 638,689
714,114	1,167,884	1,167,884	-453,770
<hr/>			
\$ 836,004	\$ 651,085	\$ 651,085	\$ 184,919

Gladbrook-Reinbeck Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment.

Other Supplementary Information

Gladbrook-Reinbeck Community School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2006

	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total
Assets				
Cash and Pooled Investments:				
Other	\$ 89,194	\$ 174,874	\$ 117,438	\$ 381,506
Receivables:				
Property Tax:				
Delinquent	-	2,531	-	2,531
Succeeding year	-	188,298	-	188,298
Accrued interest-other	609	-	-	609
Due from other governments	-	-	130,465	130,465
Total Assets	\$ 89,803	\$ 365,703	\$ 247,903	\$ 703,409
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 5,334	\$ 17,444	\$ -	\$ 22,778
Salaries and benefits payable	307	-	-	307
Deferred Revenue:				
Succeeding year property tax	-	188,298	-	188,298
Total Liabilities	\$ 5,641	\$ 205,742	\$ -	\$ 211,383
Fund Balances:				
Unreserved	\$ 84,162	\$ 159,961	\$ 247,903	\$ 492,026
Total Liabilities and Fund Balances	\$ 89,803	\$ 365,703	\$ 247,903	\$ 703,409

Gladbrook-Reinbeck Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds**

Year Ended June 30, 2006

	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:					
Local Sources:					
Local tax	\$ -	\$ 188,509	\$ -	\$ -	\$ 188,509
Other	170,999	3,362	414,501	-	588,862
State sources	-	119	-	-	119
Federal sources	-	23,967	-	-	23,967
Total Revenues	\$ 170,999	\$ 215,957	\$ 414,501	\$ -	\$ 801,457
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ -	\$ 13,505	\$ -	\$ -	\$ 13,505
Other instruction	164,048	-	-	-	164,048
	\$ 164,048	\$ 13,505	\$ -	\$ -	\$ 177,553
Support Services:					
Instructional staff services	\$ -	\$ 40,009	\$ -	\$ -	\$ 40,009
Operation and maintenance of plant services	-	26,800	-	-	26,800
Transportation services	-	165,917	-	-	165,917
	\$ -	\$ 232,726	\$ -	\$ -	\$ 232,726
Other Expenditures:					
Facilities acquisition	\$ -	\$ 231,331	\$ 62,604	\$ -	\$ 293,935
Long-term debt:					
Principal	-	-	-	85,000	85,000
Interest and fiscal charges	-	-	-	31,145	31,145
	\$ -	\$ 231,331	\$ 62,604	\$ 116,145	\$ 410,080
Total Expenditures	\$ 164,048	\$ 477,562	\$ 62,604	\$ 116,145	\$ 820,359
Excess (deficiency) of revenues over (under) expenditures	\$ 6,951	\$ -261,605	\$ 351,897	\$ -116,145	\$ -18,902
Other financing sources (uses):					
Beginning balance adjustments-decrease	\$ -	\$ -5,257	\$ -3,740	\$ -	\$ -8,997
Beginning balance adjustments-increase	-	11,978	8,996	-	20,974
Operating transfers in	-	425,000	-	116,145	541,145
Operating transfers out	-	-116,145	-425,000	-	-541,145
Total other financing sources (uses)	\$ -	\$ 315,576	\$ -419,744	\$ 116,145	\$ 11,977
Net change in fund balances	\$ 6,951	\$ 53,971	\$ -67,847	\$ -	\$ -6,925
Fund balances beginning of year	77,211	105,990	315,750	-	498,951
Fund Balances End of Year	\$ 84,162	\$ 159,961	\$ 247,903	\$ -	\$ 492,026

See accompanying independent auditor's report.

Gladbrook-Reinbeck Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2006

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Drama	\$ 6,767	\$ 2,685	\$ 3,175	\$ -	\$ 6,277
Vocal music	1,571	1,450	887	-	2,134
High School music fundraiser	2,992	3,771	1,967	-	4,796
Instrumental music	2,655	1,325	2,850	-	1,130
Band fundraisers	2,494	3,821	-	-	6,315
General athletics	271	8,419	326	-	8,364
Cross Country	-	340	340	-	-
Golf	-	5	5	-	-
Boys basketball	-	3,369	3,369	-	-
Girls basketball fundraiser	738	-	738	-	-
Boys basketball fundraiser	948	939	948	-	939
Football	-	16,347	16,347	-	-
Soccer	-	3,987	3,987	-	-
Baseball	-	1,316	1,316	-	-
Boys track	-	574	574	-	-
Wrestling	-	2,557	2,557	-	-
Girls basketball	-	3,566	3,566	-	-
Volleyball	-	4,773	4,773	-	-
Softball	-	1,943	1,998	55	-
Girls track	-	1,451	1,451	-	-
Activity tickets	5,413	16,038	16,038	-	5,413
Athletic resale	131	60	-	-	191
Cheerleaders	-	1,384	1,384	-	-
Class of 2005	636	10	646	-	-
Class of 2006	7,061	1,784	8,845	-	-
Class of 2007	1,683	12,763	10,317	-	4,129
Class of 2008	1,364	1,784	-	-	3,148
Class of 2009	-	893	-25	-	918
FFA	2,567	22,943	23,213	-55	2,242
Foreign Friends	131	15	-	-	146
Peer Helper	267	1,370	1,221	-	416
Interest from investments	3,814	1,762	404	-	5,172
National Honor Society	186	-	99	-	87
Resale	15	419	419	-	15
Renovation Club	341	-	50	-	291
Student Council-High School	4,753	8,377	10,651	-	2,479
SADD	1,287	51	287	-	1,051
Yearbook	-	8,691	8,691	-	-
Art Club	429	-	104	-	325
Baseball fundraiser	-	9,358	7,955	-	1,403

Gladbrook-Reinbeck Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2006

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Elementary Student Council:					
Reinbeck	\$ 105	\$ 1,938	\$ 1,877	\$ -	\$ 166
Gladbrook	646	-	-	-	646
Middle School:					
Activities	14,297	11,407	10,993	-874	13,837
Gifts and donations	30	-	-	-	30
Pictures	3,460	818	1,545	874	3,607
Special events	324	17	-	-	341
Student Council	8,983	5,984	7,520	-	7,447
SADD	852	495	640	-	707
Total	\$ 77,211	\$ 170,999	\$ 164,048	\$ -	\$ 84,162

Gladbrook-Reinbeck Community School District
Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Fund

Year Ended June 30, 2006

	Balance Beginning Of Year	Additions	Deductions	Balance End Of Year
Assets				
Cash	\$ 53	\$ 4,118	\$ 4,038	\$ 133
Accounts receivable	738	-	738	-
Total Assets	\$ 791	\$ 4,118	\$ 4,776	\$ 133
Liabilities				
Accounts payable	\$ 53	\$ 4,118	\$ 4,038	\$ 133
Due to other fund	738	-	738	-
Total Liabilities	\$ 791	\$ 4,118	\$ 4,776	\$ 133

Gladbrook-Reinbeck Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Local Sources:				
Local tax	\$ 2,544,087	\$ 2,443,168	\$ 2,370,297	\$ 2,366,030
Tuition	75,557	78,384	41,013	40,974
Other	811,821	730,214	383,198	344,367
Intermediate sources	-	-	-	-
State sources	3,365,496	3,352,753	3,168,920	3,137,564
Federal sources	196,114	185,852	165,724	129,369
Total	\$ 6,993,075	\$ 6,790,371	\$ 6,129,152	\$ 6,018,304
Expenditures:				
Instruction:				
Regular instruction	\$ 2,752,753	\$ 2,706,963	\$ 2,641,798	\$ 2,689,332
Special instruction	703,377	768,160	753,106	675,495
Other instruction	606,266	610,450	563,866	543,622
Support services:				
Student services	129,810	141,722	141,964	149,115
Instructional staff services	266,090	248,330	178,931	168,311
Administrative services	661,661	637,462	596,304	576,612
Operation and maintenance of plant services	602,178	637,242	574,196	606,775
Transportation services	523,899	402,708	375,124	354,533
Community services	850	869	2,812	468
Non-instructional programs	1,705	35,291	30,183	23,112
Other expenditures:				
Facilities acquisition	293,935	1,012,368	109,726	36,841
Long-term debt:				
Principal	85,000	80,000	-	-
Interest and fiscal charges	31,145	29,976	-	-
AEA flow-through	235,401	235,863	238,663	247,264
Total	\$ 6,894,070	\$ 7,547,404	\$ 6,206,673	\$ 6,071,480

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of
Gladbrook-Reinbeck Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Gladbrook-Reinbeck Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated September 5, 2006. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Gladbrook-Reinbeck Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item I-A-06 is a material weakness.

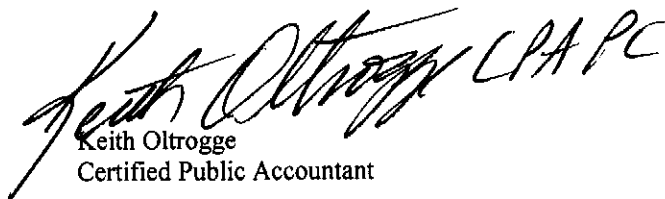
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gladbrook-Reinbeck Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Gladbrook-Reinbeck Community School District and other parties to whom Gladbrook-Reinbeck Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Gladbrook-Reinbeck Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.


Keith Oltrogge
Certified Public Accountant

September 5, 2006

Gladbrook-Reinbeck Community School District

Schedule of Findings

Year Ended June 30, 2006

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

Gladbrook-Reinbeck Community School District

Schedule of Findings

Year Ended June 30, 2006

Part II - Other Findings Related to Statutory Reporting:

II-A-06 Certified Budget – Disbursements for the year ended June 30, 2006 did not exceed the amended amounts budgeted.

II-B-06 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-06 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Trunck's Country Foods Owned by Darren Trunck, Employee	Supplies	\$4,028
Turfmaster Owned by Jeff Charley, Employee	Maintenance	\$25,705
Donna Cooley Mother of Board Member	Catering	\$2,154
Norm Beu, Employee	Services	\$64
Cooley Pumping Brother of Board Member	Services	\$900
Dinsdale Construction Owned by Kirk Dinsdale, Employee	Services	\$1,565

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

II-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-I-06 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely.

II-J-06 Financial Condition – The Enterprise, Swimming Pool Fund had a deficit net assets balance of \$3,309 at June 30, 2006. The General Fund had a deficit fund balance of \$43,205 at June 30, 2006.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return the District to a sound financial condition.

Response – We are working on this.

Conclusion – Response accepted.